

Minneapolis Community Development Agency

Request for City Council Action

Date: December 16, 2003

To: Council Member Lisa Goodman, Community Development Committee
Council Member Barbara Johnson, Ways and Means/Budget Committee
Refer to: MCDA Board of Commissioners

Prepared by Bob Lind, Manager, Business Finance, Phone 612-673-5068

Approved by Lee Sheehy, CPED Director
Chuck Lutz, CPED Deputy Director _____

Subject: Approving the Execution and Delivery of an Assignment and Assumption Agreement with the MCDA Relating to Transitioning to the City of Minneapolis the Minneapolis Common Bond Fund Program and Related Matters; and Authorizing the Continued Use of the Procedures of a Joint Cooperation Agreement Dated October 30, 1996 Among Hennepin County, the Minneapolis City Assessor and the MCDA Regarding Taxes on Publicly Owned Land.

Previous Directives: Resolution 2003R-358, approving certain policies and directing certain actions pertaining to the transfer of employees, assets and activities from the MCDA to the City, directing the Director of the Department, the Finance Officer and the City Attorney to report back to City Council with recommendations on the transfer of certain MCDA assets and liabilities.

Ward: The Common Bond Fund program is currently city-wide. Agreements are pending to expand the Common Bond Fund Program throughout all of Hennepin County through a joint powers agreement with the County.

Neighborhood Group Notification: N.A.

Consistency with *Building a City That Works*: The issuance of revenue bonds through the Common Bond Fund is consistent with Goal 1, Objectives A, B and C of providing job opportunities, attracting and expanding new and existing businesses and expanding and diversifying the Minneapolis economy.

Comprehensive Plan Compliance: N.A.

Zoning Code Compliance: N.A.

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Impact on the MCDA Budget:

- ☒ No financial impact
☐ Action requires an appropriation increase to the MCDA Budget
☐ Action provides increased revenue for appropriation increase
☐ Action requires use of contingency or reserves
☐ Other financial impact (Explain):

Living Wage/Business Subsidy: Conduit revenue bond financing is generally exempt from Living Wage/Business Subsidy. Our history with financing projects with revenue bonds has been that the projects are generally those with some of the higher paying jobs with benefit jobs.

Job Linkage: Revenue bond projects generally execute a job linkage agreement as part of the financing.

Affirmative Action Compliance: Projects must provide an Affirmative Action Plan as part of the bond closing.

RECOMMENDATION:

City Council Recommendation: The Executive Director recommends that the City Council adopt the attached resolution approving the execution and delivery of an Assignment and Assumption Agreement with the MCDA relating to the transitioning to the City of Minneapolis the Minneapolis Common Bond Fund Program and related matters; further that the City Council authorize a six-month extension of the bond counsel contract for the Common Bond Fund; and authorize the continued use of the procedures of a Joint Cooperation Agreement dated October 30, 1996 among Hennepin County, the Minneapolis City Assessor and the MCDA regarding taxes on publicly owned land.

MCDA Board Recommendation: The Executive Director further recommends that the City Council forward this report to the Minneapolis Community Development Agency Board of Commissioners for their adoption of the attached resolution approving the execution and delivery of an Assignment and Assumption Agreement with the City relating to the transitioning to the City of Minneapolis the Minneapolis Common Bond Fund Program and related matters.

The Minneapolis Common Bond Fund created in 1982 to provide financing for industrial, manufacturing and other users; has issued over \$250 million in MCDA revenue bonds for over 70 projects. A working group of the CBF Coordinating Committee consisting of City staff, attorneys from Gray, Plant & Mooty and Faegre & Benson, financial advisors, and participating bank representatives from Wells Fargo and U.S. Bank, have identified the specific public actions necessary to transfer the assets, obligations and operations of the CBF from the MCDA to the City effective January 1, 2004.

1. Adoption of the attached resolution approving the execution and delivery of an Assignment and Assumption Agreement. This agreement will transfer the assets, rights and obligations of the MCDA related to the Common Bond Fund to the City of Minneapolis.

2. Included in the approval of the Assignment and Assumption is authorization to take whatever appropriate actions are necessary to carry out the transitioning of various revenue, investment, operating and disbursing agreements, letter of credit, amendments to the reimbursement agreement, construction funds, bill of sale or quit claim deed, underwriting agreement, and continuing disclosure agreement. Many of the above agreements are with either Wells Fargo as trustee for the Common Bond Fund or U.S. Bank as the letter of credit provider for the Common Bond Fund. Both banks have been cooperating with the city staff to handle the transitioning to the City of Minneapolis.
3. It is also requested herein that the existing bond counsel contract with Gray Plant & Mooty for work on Common Bond Fund projects be extended for another six months from January 1, 2004 through June 30, 2004. This request is necessary to keep the Common Bond Fund up and operating until such time that the City's pending work to create a bond counsel panel can be completed.
4. On October 30, 1996 Hennepin County, the Minneapolis City Assessor and the MCDA executed a Joint Cooperation Agreement that details various notifications among the parties to clarify tax status and tax obligations for publicly owned land. The Agreement applies to all properties held by the MCDA that are now in process to be assigned to the City of Minneapolis. It is our intent to continue to follow the procedures and notifications as outlined in the Agreement as we transition the CBF to the City of Minneapolis.

On a related matter, another part of the transitioning of the Common Bond Fund to the City of Minneapolis are the necessary changes to a City Ordinance, Chapter 424, dealing with the limited tax capacity pledge to secure CBF Bonds. On May 22, 1987 the City Council adopted Ordinance 87-OR-084 which established a limited mill levy pledge of the City to secure revenue bonds issued through the Common Bond Fund. The pledge of a limited mill levy of up to one-half (.5) mill as security behind any new bond issue within the Common Bond Fund. On April 13, 1990 the City Council adopted Ordinance 90-OR-096 which amended Chapter 424 to conform to changes in the property tax system by the Minnesota Legislature. The term "mill levy" was replaced with the new term of "tax capacity". The City's one-half (.5) tax capacity pledge is just one of many levels of security behind all the bonds in the CBF. In front of the City's limited tax capacity pledge are the debt service reserves on all bonds in the CBF, the funds held in the various accounts at Wells Fargo Bank as trustee for the CBF including the balances in the IDB Account, and the \$10 million letter of credit provided by U.S. Bank. In a separate action it has been requested that the Ordinance be amended again to reflect the transitioning of the CBF to the City of Minneapolis. The public hearing on the changes to the Ordinance are tentatively scheduled for the C.D. Committee on January 6, 2004.

Approving the execution and delivery of an Assignment and Assumption Agreement with the Minneapolis Community Development Agency relating to the Common Bond Fund Program

WHEREAS, the Minneapolis Community Development Agency (the "Agency") has adopted Resolution No. 82-512, as amended and Resolution No. 92-815M, as amended (collectively, the "Basic Resolutions") in order to provide for the issuance of "Common Fund Bonds" as defined in the Basic Resolutions; and

WHEREAS, the Agency has adopted Resolution No. 92-814M, as amended (the "IDB Account Resolution"), in order to provide security for the Common Fund Bonds; and

WHEREAS, pursuant to the Basic Resolutions, the Agency has issued several series of Common Fund Bonds pursuant to various resolutions entitled "Supplemental Bond Resolution and Indenture," relating to the specific series of Common Fund Bonds (the "Supplemental Bond Resolutions"); and

WHEREAS, pursuant to the authority of 2003 Minnesota Laws, Chapter 127, Article 12, Sections 31-34, and as contemplated by Chapter 415 of the Minneapolis Code of Ordinances, and pursuant to an Assignment and Assumption Agreement, dated as of January 1, 2004, between the City and the Agency (the "Assignment and Assumption Agreement"), the Agency will assign to the City and the City will accept and assume, the assets, rights and obligations of the Agency related to the Basic Resolutions, IDB Account Resolution and Supplemental Bond Resolutions; and

WHEREAS, the execution and delivery of the Assignment and Assumption Agreement is permitted by Section 310 of the Basic Resolutions, and will not materially adversely affect the interests of the holders of the Common Fund Bonds;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Minneapolis:

That the City approves the Assignment and Assumption Agreement in substantially the form on file with the Agency on the date of adoption hereof.

That the Mayor, Finance Officer and City Clerk (or their deputies) are hereby authorized to execute and deliver the Assignment and Assumption Agreement, and any further documents and instruments as may be required to further evidence the assignment and assumption provided for therein, including but not limited to any required amendment to the Reimbursement Agreement (as defined in the Basic Resolutions) acceptable to the Finance Officer.

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WHEREAS, pursuant to the Basic Resolutions, the Agency has issued several series of Common Fund Bonds pursuant to various resolutions entitled "Supplemental Bond Resolution and Indenture," relating to the specific series of Common Fund Bonds (the "Supplemental Bond Resolutions"); and

WHEREAS, pursuant to the authority of 2003 Minnesota Laws, Chapter 127, Article 12, Sections 31-34, and as contemplated by Chapter 415 of the Minneapolis Code of Ordinances, and pursuant to an Assignment and Assumption Agreement, dated as of January 1, 2004, between the City of Minneapolis (the "City") and the Agency (the "Assignment and Assumption Agreement"), the Agency will assign to the City and the City will accept and assume, the assets, rights and obligations of the Agency related to the Basic Resolutions, IDB Account Resolution and Supplemental Bond Resolutions; and

WHEREAS, the execution and delivery of the Assignment and Assumption Agreement is permitted by Section 310 of the Basic Resolutions, and will not materially adversely affect the interests of the holders of the Common Fund Bonds;

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Minneapolis Community Development Agency:

That the Agency approves the Assignment and Assumption Agreement in substantially the form on file with the Agency on the date of adoption hereof.

That the Executive Director and Finance Officer (or their deputies) are hereby authorized to execute and deliver the Assignment and Assumption Agreement, and any further documents and instruments as may be required to further evidence the assignment and assumption provided for therein, including but not limited to any required amendment to the Reimbursement Agreement (as defined in the Basic Resolutions) acceptable to the Finance Officer.